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SUBJECT: DURBAN'S NEW BUS SERVICE DOESN'T END TRANSPORT CHALLENGES

REF: DURBAN 37

DURBAN 00000082 001.2 OF 003

[1](#)1. (U) Summary. Durban commuters have been scrambling for transport ever since the Remant Alton bus service provider closed down at the end of June. Remant Alton has been beset by financial, labor and managerial problems since it began operation. New bus service provider Tansnat Africa has been appointed by the City of Durban to take over bus operations; however, former Remant Alton bus drivers and local bus operators are protesting this decision. Left unresolved, these issues may put a crimp in Durban's plans to upgrade its public transportation system ahead of the 2010 FIFA World Cup (FWC). End Summary.

Background: Operation Beset By Problems

[1](#)2. (U) Remant Alton took over Durban's bus service, Durban Transport, in 2003 in a privatization deal that was publicly heralded by Mayor Obed Mlaba and city management as a black empowerment model. The operator has since received more than R1 billion (\$123.5 million) in government transport subsidies that keep prices low for students and senior citizens. Despite this government aid, Remant Alton's service has been crippled by many problems. In April 2006, a fire destroyed 69 of its buses; arson by disgruntled bus drivers was suspected as the cause, but authorities never charged anyone. In May 2008, the service stopped for two days when workers went on strike to demand a pay increase.

[1](#)3. (U) Amid severe cash flow problems in September 2008, the eThekwini Municipality (of which Durban is a part) breathed new life into Remant Alton by agreeing to buy its bus fleet for more than R404 million (\$49.9 million) and lease it back to Remant Alton to continue running the bus service on behalf of the municipality. This buy-back agreement sparked a six-week long strike by bus drivers, who also demanded to be employed by the municipality (Note: According to a private sector contact, the drivers used to be municipal employees and received full buy-out packages in the 2003 privatization, so it is understandable why Durban authorities did not entertain this request. End note.). The strike ended with an agreement to involve workers in the planned restructuring of the city's contract and dividing it into smaller routes for contracting out to smaller operators. In January 2009, commuters were left stranded when bus drivers protested the possible shut down of Remant Alton.

[1](#)4. (U) In March 2009, Remant Alton suspended its services and declared itself technically insolvent. Durban's executive committee threatened to sue Remant Alton for breach of contract. Within two weeks, however, the bus service was up and running

again after the city forgave penalties for transgressions of minimum services as set out in the original contract and lease costs of buses that had not been running during 2008's prolonged strike action. In May of this year, commuters were stranded yet again when disgruntled drivers went on strike to protest their poor working conditions. This came a month after a month-long shutdown when Remant Alton said it could not operate because it had not received its monthly government subsidies.

15. (U) In June of this year, local media reported that the National Prosecuting Authority's Asset Forfeiture Unit and Durban Organized Crime Unit had opened a case to investigate allegations of widespread irregularities in the takeover and running of Durban Transport by Remant Alton. Also in June, a private investigator accused CEO of Remant Alton Jay Singh of fraud amounting to more than R1 billion (\$123 million). Singh was also accused of mismanaging a multi-million rand eThekweni housing project involving more than 2,500 houses.

16. (U) In addressing allegations of wrongful conduct arising from the 2003 takeover of the city's bus service, Remant Alton recently disclosed that in order to finance the original purchase of Durban Transport, it had borrowed funds from Standard Bank using buses bought from the city as collateral. Neither how much money Remant Alton borrowed nor the exact amount it paid to the city for the purchase of the buses has been disclosed. It is not clear whether this loan and the interest charges were repaid at the time the city repurchased assets from Remant Alton last year.

17. (U) Remant Alton finally closed shop on June 30 when it stopped receiving government subsidies amounting to R8 million (\$988,000). One thousand five hundred employees lost their jobs and 100,000 daily commuters were left to find alternate transport.
New Bus Service

DURBAN 00000082 002.2 OF 003

18. (U) On July 9 MEC (Member of Executive Council - a provincial 'minister') for Transport, Community Safety and Liaison Bheki Cele and Durban Mayor Obed Mlaba announced that Tansnat Africa, which runs a fleet of 800 buses across South Africa, would take over the Durban Transport bus contract until it expires at the end of September 2010. Mayor Mlaba said that Tansnat was 'the right company to take over' and will start operating on July 20. Tansnat Africa CEO Mike Jesserman told the media that his company will bring substantial changes. For example, the inner-city bus service will be run by taxi operators, and the bus fleet will be downsized from 650 to about 450 buses to reduce fuel and salary costs. Tansnat Africa also operates Ikhwezi Bus Service in Richards Bay and Empangeni, Sizanani maZulu in Pietermaritzburg, Imondlo Bus Service in Vryheid, and two luxury travel coach lines, Express Liners and Gauteng Coaches, which run between Durban and Johannesburg.

Unclear Role for Taxi Drivers

19. (U) Although Jesserman and KZN Transport Alliance Chairman Eugene Hadebe have indicated that taxi operators will manage about 40 percent of the new bus operation, eThekweni Municipality Deputy Head of Public Transport Erik Moller told local media that the operation being considered for taxis was 'nowhere close to 40 percent of the total. I am not aware of taxi operators getting any such stake.' It is most likely that the People Mover and Mynah bus services could be given to taxi operators, which would translate to operating fewer than 70 buses, compared to the 450 buses to be operated by Tansnat Africa.

110. (U) South Beach Taxi Association Chairman Yusuf Khaliva said to local press that he could not comment on the bus operation plans because the association was also unclear about how it would operate in the new system. Khaliva said the association was in preliminary discussions with the city and still needed City Manager Mike Sutcliffe to explain how its running of the

buses in central Durban would work. "We need Sutcliffe to explain how the operations will work, whether we will bring in our own drivers or what," he commented.

Local Bus Operators Snubbed

¶11. (U) Several Durban-based bus operators are upset that the eThekweni Municipality selected an out-of-town company to take over the Durban Transport bus service. Established local operators reported to local media that the lack of consultation was unfair, especially as they have stepped in to assist the city whenever Remant Alton ran into trouble. South Coast Bus Service Managing Director Pickey Dass said it was "a slap in the face" that his company, which had been shortlisted for the Durban Transport contract when the service was privatized in 2003, was not considered to run the interim contract. Mohamed Asmal, managing director of Durban-based Olympic Bus Lines said, 'One would have expected the eThekweni Municipality to have given the local ratepayers some preference.' In response to this criticism, a provincial cabinet task team, Mayor Mlaba, and the city council released a joint statement explaining that 'emergency provisions of the existing contract were used for the appointment by the province of an alternative operator for the Durban transport service.'

¶12. (U) Tansnat was not able to begin service as planned on July 20 due to a court interdict brought by local bus operators, preventing the transfer of the Remant Alton contract to Tansnat Africa. Local media reported that local bus operators questioned the process the eThekweni Municipality followed in awarding the contract to Tansnat. On July 21, the Pietermaritzburg High Court ruled that the case would be postponed until October 26 and that Tansnat Africa has authority to run Durban's bus service in the meantime. MEC Cele reported to a national radio program that bus service to Durban is scheduled to resume on July 27.

What Becomes of Remant Alton Bus Drivers?

¶13. (U) When Remant Alton closed shop, it fired all of its employees, but the bus drivers filed a stop order to prevent the company from doing so. The request was dismissed in the Johannesburg Labor Court, and now the drivers are demanding that Tansnat Africa be required to hire all of them even though the contract signed by the new company only requires it to source 80 percent of its staff requirements from the Remant Alton staff. Transport Allied Workers' Union of South Africa General Secretary Zack Mankge said they were disappointed. "As it stands now, the new operator has said it will employ about 80 percent of the workers from Remant Alton, but that still means that between 200 and 300 workers will be on the streets - and

DURBAN 00000082 003.2 OF 003

that is unfair." Mduduzi Sibiya who has worked for Remant Alton for six years, reported to local press that the drivers were distressed and angry. "I am the breadwinner and I have five children to support. I have a bond [mortgage] on my house and a car and next month, I do not know how I am going to make the payments. It was wrong for the municipality to appoint a new operator without consulting us."

¶14. (U) The situation has come to a head, and there was a tense three-hour stand-off between police and thousands of protesters outside the Durban City Hall on July 16 as marchers demanded the appointment of a commission of inquiry to investigate the collapse of Remant Alton. The former Remant Alton bus drivers have threatened that no buses will run in the city without them. City officials, however, said the law would take its course in the event of any disruptions of the bus service.

¶15. (U) Opposition parties expressed sympathy for the protesters, saying the protest should serve as a warning to the city that decisions should not be imposed on people without consultation. Inkatha Freedom Party eThekweni deputy secretary Joshua Mazibuko said in a press release, 'This should be a wake-up call to the municipality because there is not just one group involved here, meaning the concerns are widespread.' Democratic Alliance (DA) Provincial Deputy Leader Sizwe Mchunu

echoed Mazibuko's sentiments to local media, saying the DA had warned the city seven years ago that such a thing would happen if they did not put the public's needs first. `People are saying they are tired of the poor service they are receiving from the city. They are tired of not being consulted on decisions and being victimized.'

Comment

¶16. (U) Durban's bus crisis poses a serious threat to the city's ambitious plans to improve its transportation system ahead of the 2010 FWC. As reported in Reftel, Durban plans to establish a central public transport hub that will, in great part, depend on reliable bus service. Taxi drivers who have a reputation for reckless driving also pose safety concerns. Until these issues are resolved, the city will likely experience further strikes and protests, which will delay transportation initiatives and may embarrass Durban if they occur during 2010 FWC. Similar labor issues and taxi protests have occurred in other 2010 host cities attempting to implement new bus-rapid-transit systems.
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